Adveritas Limited
U10, 16 Brodie Hall Drive
Bentley 6102 Western Australia
+61 8 9473 2500

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SEPTEMBER 2020 QUARTERLY ACTIVITIES REPORT

Key Highlights

- **Strong sales momentum since June 2020 quarter**
  - **~80% increase in TrafficGuard Freemium subscribers**
  - **~25% increase in customer numbers, with over 50 revenue-generating clients**
- **New enterprise level contracts secured**
- **New strategic partnerships to accelerate sales**
- **Industry recognition with MarTech Breakthrough Award and shortlisting for upcoming awards**
- **Attractive fundamentals given the accelerating global shift to digital business models**
- **Growing cash receipts and strong cash position**

Adveritas Limited (**Company** or **Adveritas**) (**ASX: AV1**) is pleased to provide its quarterly activities report as at 30 September 2020. The Company continues to deliver strong sales momentum, with strong growth in Freemium subscribers, Freemium conversions into revenue generating clients, and growing cash receipts.

Strong Sales Momentum

Adveritas is pleased to report strong growth in revenue and revenue leading indicators (Freemium subscribers and Freemium conversions) as follows:

- **~80% increase in Freemium subscribers** to ~1,050, up from 580 in June 2020 quarter
- **~25% increase in customer numbers** from the June 2020 quarter, with over 50 revenue-generating customers, driven by strong conversions from Freemium to fee paying "land and expand" customers.

New Enterprise Level Contracts, Growing Pipeline

During the quarter, Adveritas signed a 12-month contract to the value of ~$100,000 with GVC Australia, a subsidiary of GVC Holdings PLC which is a top 100 company on the London Stock Exchange and has a market capitalisation of ~GBP $6 billion. GVC Australia's subsidiaries include Ladbrokes and Neds.

High profile contract wins in a particular industry sector, such as GVC in the gaming sector, create multiple expansion opportunities. Adveritas is currently in discussions to expand TrafficGuard usage to the wider GVC group, where its marketing spend is substantial. In addition, several other large

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online betting agencies are currently trialling TrafficGuard and the Company expects a number of these to convert into contracts during the December 2020 quarter.

New Strategic Partnerships

Over the quarter, the Company laid the foundations for strong strategic partnerships with agencies and consulting firms to drive sales, with a number of these progressing towards commercial agreements.

MCN Media Brands, subsidiary of Interpublic Group

TrafficGuard signed a 12-month contract with MCN Media brands (MENAT), which allows MCN to onboard any of their clients seamlessly. MCN is a subsidiary of Universal McCann. This contract is already generating sales momentum through the onboarding of an initial tranche of clients while the TrafficGuard sales team works closely with MCN to onboard further clients.

Google

The Company is finalising a partnership with Google for a combined go-to-market strategy of TrafficGuard's pay-per-click (PPC) product. Through integration with Google Cloud Marketplace, customers can consume TrafficGuard's solutions with minimal effort. The partnership will enable TrafficGuard to quickly expand engagement and service to Google customers and will be announced when finalised.

Industry Recognition With Multiple Awards

TrafficGuard won a MarTech Breakthrough Award for Best PPC Optimisation Platform at the MarTech Breakthrough Awards ceremony held in September. TrafficGuard was listed amongst other winners including Shopify, The Trade Desk and Adobe.

Subsequent to quarter end, TrafficGuard was listed as one of Australia's Most Innovative Companies by The Australian Financial Review, placing 8th on the Technology list from over 600 nominated organisations across Australia and New Zealand.

In addition to these two wins, TrafficGuard has also been shortlisted for this year's Effective Mobile Marketing Awards for "Most Effective Anti-Fraud Solution", and for "Best SaaS Platform" and "Best Technology" in the 2020 International Performance Marketing Awards.

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Attractive Growth Outlook

Increased Revenue and Greater Customer Diversification

Adveritas continues to diversify revenues towards a larger number of clients using a wider range of the TrafficGuard protection products. The Company now has over 50 clients, paying across all three pricing categories (Freemium, Land and Expand and Long-Dated Contracts) for both Google PPC and anti-fraud services for mobile phone app install.

Significant Cross-Sell and Up-Sell Opportunity

Adveritas' Three by Three Sales Model and broader product offering allows a wider range of cross-sell and up-sell opportunities across a larger customer base:

- Cross-selling Google PPC into mobile app install anti-fraud SaaS solutions and
- Up-selling existing clients into larger data-usage contracts.

To help drive sales, the Company is actively segmenting Freemium clients across a range of characteristics (industry, spend time, spend type etc.) to optimise sales and marketing opportunities. Adveritas has a track record of upgrading customer contracts and will continue to focus on developing its client relationships over time.

Financial Analysis

Key September quarter highlights (compared to September 2019 quarter):

- Cash receipts from customers up 85% to $241k
- Operating cash outflow reduced 19% to $1.9 million
- Strong balance sheet with $6.36 million cash at quarter end, and no debt.

Post quarter-end, Adveritas received an additional $2 million from Mark McConnell (Non-executive Director) in October following shareholder approval at the Company's general meeting in September. In addition, based on prior claims, approximately $1 million in Research & Development grant funds is expected early next year.

Summary of revenue and receipts

The global COVID-19 pandemic continued to impact the Company's revenue during the September quarter through:

- ongoing suspension of services to customers at their request
- extension of discount periods where monthly licence fees have been temporarily reduced to provide short term assistance to some customers

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- limited opportunities to market TrafficGuard due to the cancellation of trade shows and events, the imposition of domestic and international travel restrictions and the difficulties in conducting face to face meetings.

During the quarter, the Company received Government funding of approximately $353k in the form of pay-roll tax rebate, cash flow booster payments and JobKeeper payments.

Summary of expenditure payments

	Current Quarter Sep 2020 $'000	Last Quarter Jun 2020 $'000
Research and development	(795)	(727)
Product manufacturing & operating	(155)	(170)
Advertising and marketing	(196)	(116)
Staff costs	(851)	(616)
Administration and corporate	(512)	(230)
Total expenditure payments	**(2,509)**	**(1,859)**

In response to the global COVID-19 pandemic, directors, senior management and employees across the Company's global operations voluntarily agreed to a temporary reduction in their salaries from 1 April. These reductions were made without there being any obligation on the Company to repay the forgone amounts. With effect from 1 August, all salaries and fees were reinstated to their full amounts which resulted in staff costs for the September quarter being significantly higher than the June quarter.

COVID cost-cutting measures, such as temporary rent reductions, combined with the curtailing of non-essential expenditure, resulted in the June quarter's administration and corporate expenditure being lower than prior quarters. Administration and Corporate expenditure in the September quarter is comparatively higher than the June quarter as a result of these temporary measures coming to an end, and payments that historically occur in the first quarter of the financial year being made such as: annual insurance premiums, ASX listing fees and year-end audit fees.

Similar to the June quarter, the September quarter's expenditure payments included legal fees relating to the Company's ongoing pursuit of amounts owing by ClearPier Inc. Adveritas remains confident in its legal position.

Payments to executive and non-executive directors during the quarter amounted to $99k, and comprised salaries and fees of $80k (included in staff costs) and consultancy fees of $19k (included in administration and corporate costs).

This announcement is authorised for lodgement by the Board of Adveritas Limited.

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For more information, please contact:

Investor Enquiries

Mathew Ratty
Chief Executive Officer
Adveritas Limited
08 9473 2500
investor.enquiry@adveritas.com.au

Ronn Bechler
Managing Director
Market Eye
0400 009 774
ronn.bechler@marketeye.com.au

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Adveritas

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About Adveritas

Adveritas Ltd (ASX:AV1) creates innovative software solutions that leverage big data to drive business performance. Adveritas' ad fraud prevention software, TrafficGuard, is its first available software as a service. Early adopters of TrafficGuard include LATAM super-app, Rappi and APAC super-app, GO-JEK. Both businesses are well funded with $2 billion and $12 billion valuations respectively, and conducting aggressive user acquisition advertising for fast growth. In both cases, TrafficGuard was chosen after a rigorous procurement process that saw the effectiveness of our solution evaluated against a range of competing solutions. For more information, see https://www.adveritas.com.au/

trafficguard

About TrafficGuard

TrafficGuard detects, mitigates and reports on ad fraud before it impacts digital advertising budgets. Three formidable layers of protection block both general invalid traffic (GIVT) and sophisticated invalid traffic (SIVT) to ensure that digital advertising results in legitimate advertising engagement. TrafficGuard uses patent-pending technology and proprietary big data accumulated by the performance advertising business previously operated by the Company.

For more information about TrafficGuard's comprehensive fraud mitigation, see https://www.trafficguard.ai

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
Adveritas Limited	
ABN	**Quarter ended ("current quarter")**
88 156 377 141	September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	241	241
1.2	Payments for		
	(a) research and development	(795)	(795)
	(b) product manufacturing and operating costs	(155)	(155)
	(c) advertising and marketing	(196)	(196)
	(d) leased assets	-	-
	(e) staff costs	(851)	(851)
	(f) administration and corporate costs	(512)	(512)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	5
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	354	354
1.9	**Net cash from / (used in) operating activities**	**(1,909)**	**(1,909)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(1)	(1)
	(d) investments	-	-
	(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(1)**	**(1)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(33)	(33)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**(33)**	**(33)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,351	8,351
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,909)	(1,909)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(33)	(33)
4.5	Effect of movement in exchange rates on cash held	(18)	(18)
4.6	**Cash and cash equivalents at end of period**	**6,390**	**6,390**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	6,390	8,351
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**6,390**	**8,351**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 (see explanation below)	99
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Explanation of payments shown at 6.1

The amount at item 6.1 comprises the following payments to executive and non-executive directors:

- salaries and fees of $80,563; and
- consultancy fees of $18,650

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,909)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	6,390
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	6,390
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	3

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 30 October 2020

Authorised by: The Board of Directors

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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